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**NOTICE OF PUBLIC HEARING**

IN THE MATTER OF THE APPLICATION OF HAWAIIAN ELECTRIC COMPANY, INC.  
FOR APPROVAL OF RATE INCREASES AND REVISED RATE  
SCHEDULES AND RULES

**DOCKET NO. 2006-0386**

NOTICE IS HEREBY GIVEN that pursuant to chapters 91 and 269, Hawaii Revised Statutes ("HRS"), the STATE OF HAWAII, PUBLIC UTILITIES COMMISSION ("Commission") will hold a public hearing relating to the application of HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), filed on December 22, 2006, for approval of general rate increases and revised rate schedules and rules. The public hearing will be held as follows:

Date: Tuesday, March 6, 2007  
Time: 6:00 p.m.  
Location: Prince David Kawanānakoā Middle School Cafeteria  
49 Funchal Street  
Honolulu, HI 96813

HECO is a franchised public utility engaged in the production, purchase, transmission, distribution, and sale of electricity on the Island of Oahu. HECO seeks Commission approval of a general rate increase of approximately \$99,556,000, or 7.1%, over revenues at current effective rates. Revenues at current effective rates include revenues from the interim rate increase approved by the Commission in Interim Decision and Order No. 22050, filed in HECO's 2005 test year rate case, Docket No. 04-0113. If revenues from the interim rate increase are excluded, the requested relief over revenues at present rates is estimated to be \$151,505,000. The requested increase is based on estimated total revenue requirements of \$1,501,782,000 for the normalized 2007 test year (based on August 2006 fuel oil and purchased energy prices,

and an 8.92% rate of return on HECO's average rate base). HECO is also proposing several new rate designs and rate schedules, including an inclining rate block structure for residential customers, optional time-of-use rates, and standby service rates.

HECO states that it filed this request for a general rate increase due primarily to the addition of plant and equipment in HECO's system, and increasing costs for labor, materials, contract services, depreciation, and other operating expenses. Without further rate relief in this proceeding, HECO estimates that its rate of return on its average rate base at current effective rates will be 4.36% for the normalized 2007 test year, as compared to the 9.16% rate of return that the Commission authorized in Docket No. 7766 for the 1995 test year. In addition, HECO estimates that, if revenues from the interim increase in Docket No. 04-0113 are not considered, HECO's rate of return on its average rate base will be 1.98% for the normalized test year.

HECO requests that its general rate increase and the revisions to its rate schedules and rules take effect in two steps:

1. Interim Increase: An interim increase in rates, to which the Commission finds HECO is "probably entitled," based on the evidentiary record, pursuant to HRS § 269-16(d); and

2. Final Increase: A general rate increase upon the Commission's issuance of its final Decision and Order that provides for the amount of the total requested revenue increase that was not included in the interim rate increase.

The proposed rate increases over current effective rates (which include the interim rate increase surcharges currently in effect) by rate classes for the 2007 normalized test year, in dollar amounts and by percentage, are as follows:

<u>Rate Class</u>	<u>Revenue Increase</u> (in \$000s)	<u>Percentage Increase</u>
R – Residential	\$30,589.3	7.06%
G – General, Non-Demand	\$5,702.9	7.06%
J – General, Demand	\$26,301.6	7.06%
H – Commercial Cooking, Heating, Air Conditioning and Refrigeration	\$519.6	7.07%
PS – Large Power, Secondary Voltage	\$9,943.7	7.06%
PP – Large Power, Primary Voltage	\$23,386.3	7.06%
PT – Large Power, Transmission Voltage	\$1,840.2	7.06%
F – Public Street Lighting, Highway Lighting, and Park and Playground Lighting	\$503.4	7.06%
Total Sales Revenue	\$98,787.0	7.06%
Other Operating Revenues	\$769.0	19.48%
Total Revenues	\$99,556.0	7.10%

The proposed rate increases over present rates (which exclude the interim rate increase surcharges) by rate classes for the normalized 2007 test year, in dollar amounts and by percentage, are as follows:

<u>Rate Class</u>	<u>Revenue Increase</u> (in \$000s)	<u>Percentage Increase</u>
R – Residential	\$47,841.5	11.51%
G – General, Non-Demand	\$8,733.3	11.24%
J – General, Demand	\$39,662.9	11.05%
H – Commercial Cooking, Heating, Air Conditioning and Refrigeration	\$796.0	11.25%
PS – Large Power, Secondary Voltage	\$15,631.6	11.57%
PP – Large Power, Primary Voltage	\$35,304.1	11.06%

PT – Large Power, Transmission Voltage	\$1,840.2	7.06%
F – Public Street Lighting, Highway Lighting, and Park and Playground Lighting	\$877.4	13.00%
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Total Sales Revenue	\$150,687.0	11.19%
Other Operating Revenues	\$818.0	20.99%
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Total Revenues	\$151,505.0	11.22%

The proposed increases reflect the average proposed increase for each schedule of service. The increase experienced by a particular customer will depend on the customer's schedule of service, and other factors, such as the customer's energy use and the customer's billing demand (where applicable).

The Commission will determine whether the proposed revenue increase, changes in rate schedules and rules, and other matters requested or proposed by HECO, are just and reasonable. The Commission will hold an evidentiary hearing sometime after the conclusion of the public hearing unless HECO and the applicable parties in this docket, at their option and upon the Commission's approval, waive the evidentiary hearing. The total revenue increase for the 2007 test year will not exceed the \$151,505,000 over revenues at present rates requested in the Application, but the rates and charges to be finally approved by the Commission after its investigation may be higher or lower than the proposed rates and charges for the various rate schedules of service.

All interested persons are urged to attend the public hearing to state their views, orally, in writing, or both. Written statements may be submitted prior to or at the public hearing. Statements may be mailed to the Public Utilities Commission, 465 South King

Street, Room 103, Honolulu, Hawaii, 96813. Statements may also be sent by electronic mail to the Commission's e-mail address at [Hawaii.PUC@hawaii.gov](mailto:Hawaii.PUC@hawaii.gov).

Motions to Intervene or Participate in this proceeding shall comply with Subchapter 4, Rules of Practice and Procedure before the Public Utilities Commission, Hawaii Administrative Rules, Title 6, Chapter 61. A motion to intervene or participate in this proceeding shall be filed with the Commission by March 16, 2007.

Copies of the application and supporting documents are available for public inspection during regular business hours at the following locations:

PUBLIC UTILITIES COMMISSION  
465 South King Street, #103  
Honolulu, HI 96813  
Phone: (808) 586-2020

DEPARTMENT OF COMMERCE  
AND CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
335 Merchant Street, #326  
Honolulu, HI 96813  
Phone: (808) 586-2800

HAWAIIAN ELECTRIC COMPANY, INC.  
Customer Service Desk  
820 Ward Avenue  
Honolulu, HI 96814

HAWAIIAN ELECTRIC COMPANY, INC.  
900 Richards Street  
Honolulu, HI 96813  
Phone: (808) 543-5670

Special accommodations for persons with disabilities can be made if requested reasonably in advance by contacting the Commission's Honolulu office.



Carlito P. Caliboso  
Chairman

The Garden Island  
Hawaii Tribune-Herald  
Honolulu Star-Bulletin  
The Maui News  
West Hawaii Today  
February 13, 20, 27, and March 4, 2007